

Mutual Fund Issues....

Several of our TRF members have called with questions and concerns regarding the market timing and trading scandals enveloping the mutual fund industry. Let us first assure you that your money is safe and has not been affected by the scandal. The Fund does employ two firms that have been implicated, Putnam Investments and Alliance Capital Management. However, because all monies invested by the Fund are held in our own separate account and invested separately from the firms' mutual fund business, we do not incur any of the increased costs associated with market timing and excessive trading. It is also important to note that the portion of your retirement that is based on your years of service and final average salary, is guaranteed by the State of Indiana, regardless of the performance of the Funds' investments.

Putnam Investments manages just over \$59 million of the Fund's assets in a mid-cap growth equity strategy. That is less than 1% of the Funds \$6.4 billion in total assets. Putnam manages no money in the various Annuity Savings Account (ASA) options. The market timing at Putnam is alleged to have taken place in their international equity funds. Alliance Capital Management manages almost \$1.5 billion in a fixed income (or bond) strategy and \$400.5 million in an international equity index strategy. Alliance is one of two managers of the International Fund, an ASA option. Although Alliance manages 30% of the Fund's assets, because those assets are managed in an individual account and in different strategies than those where the alleged misdeeds took place, the Fund has not lost money and our costs have not increased.

Although the Fund's assets have not been directly affected and can not be, the Board of Trustees and staff are deeply concerned with these developments. We are monitoring them closely and discussing with our investment consultant the most prudent next steps to take. We take our duties of prudently managing your investments very seriously and will be meeting on December 1st and 2nd with the Board of Trustees to make an informed, rational decision regarding the future of the investment managers.